

VILLAGE OF DAGGETT  
REPORT ON FINANCIAL STATEMENTS AND  
OTHER FINANCIAL INFORMATION  
YEAR ENDED MARCH 31, 2006

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF DAGGETT	County MENOMINEE
Audit Date MARCH 31, 2006	Opinion Date JULY 25, 2006	Date Accountant Report Submitted to State: JULY 25, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

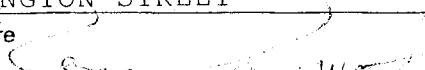
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) RAY PAYMENT, CPA			
Street Address 617 LUDINGTON STREET	City ESCANABA	State MI	ZIP 49829
Accountant Signature 			

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July 25, 2006

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INDEPENDENT AUDITOR'S REPORT

Honorable Village Board  
Village of Daggett  
Daggett, Michigan

I have audited the accompanying general purpose financial statements of the Village of Daggett, Michigan as of and for the year ended March 31, 2006, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, Government Auditing Standards, issued by the Comptroller General. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 2, the Village of Daggett prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Michigan, which is a comprehensive basis of accounting other than generally accepted accounting principles.

As described more fully in Note 2, the Village has not maintained a record of its general fixed assets and, accordingly, the General Fixed Assets Account Group is not included in this report, as required by generally accepted accounting principles.

Management has not presented government-wide statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component units. Accounting principles generally accepted in the United States of America requires the presentation of government-wide financial statements. The statements for the Village's governmental activities, business-type activities, and discretely presented component units are not reasonably determinable.

In my opinion, except for the effects of the omission of the general fixed assets and government-wide financial statements, as


July 25, 2006

VILLAGE OF DAGGETT  
INDEPENDENT AUDITOR'S REPORT (Continued)

discussed in the above paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, only the cash and unencumbered cash balances of each of the Village's fund types at March 31, 2006, and revenues received and the expenditures paid of such fund types as discussed in the third paragraph, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated July 25, 2006 on my consideration of the Village of Daggett's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

I conducted my audit for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary data are presented for the purpose of additional analysis and are not a required part of the financial statements of the Village of Daggett, Michigan. Such information has been subjected to the auditing procedures applied in the examination of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

  
Ray L. Payment  
Certified Public Accountant

VILLAGE OF DAGGETT  
COMBINED BALANCE SHEET - CASH BASIS  
ALL FUND TYPES AND ACCOUNT GROUPS  
MARCH 31, 2006

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	<u>Governmental</u>	<u>Fund Type</u>	<u>Proprietary</u>
	<u>General</u>	<u>Special</u>	<u>Fund Type</u>
		<u>Revenue</u>	<u>Enterprise</u>
ASSETS:			
Cash and Interest-			
Bearing Deposits (Note 3)	\$ 27 665	\$ 112 754	\$ 246 501
TOTAL ASSETS	\$ 27 665	\$ 112 754	\$ 246 501
	<hr/>	<hr/>	<hr/>
FUND EQUITY:			
Retained Earnings	\$ -	\$ -	\$ 246 501
Fund Balance	27 665	112 754	-
TOTAL FUND EQUITY	\$ 27 665	\$ 112 754	\$ 246 501
	<hr/>	<hr/>	<hr/>

See accompanying notes to financial statements.

VILLAGE OF DAGGETT  
 COMBINED STATEMENT OF CASH RECEIPTS  
 DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
 ALL GOVERNMENTAL FUND TYPES  
 YEAR ENDED MARCH 31, 2006

	<u>Governmental Fund Type</u>	
	<u>General</u>	<u>Special Revenue</u>
CASH RECEIPTS:		
Property taxes	\$ 7 227	\$ -
Collection fees	64	-
Interest income	1 333	2 333
State revenue sharing	21 286	41 359
Wage, misc. & equipment reimbursements	50 575	-
Rents	3 000	-
	<u>83 485</u>	<u>43 692</u>
TOTAL CASH RECEIPTS		
CASH DISBURSEMENTS:		
General Government:		
Maintenance wages and benefits	33 802	-
Clerk wages and payroll taxes	2 448	-
President wages and payroll taxes	1 399	-
Trustees wages and payroll taxes	1 958	-
Treasurer wages and payroll taxes	3 347	-
Supplies	7 306	633
Repairs	13 220	-
Professional fees	1 000	-
Community promotion and dues	605	-
Utilities and fuel	8 134	-
Insurance	8 680	-
Highways and roads	-	59 658
Sanitation	5 732	-
Parks and recreation	2 340	-
	<u>89 971</u>	<u>60 291</u>
TOTAL CASH DISBURSEMENTS		
EXCESS OF CASH RECEIPTS OVER (UNDER) DISBURSEMENTS	( 6 486)	(16 599)
FUND BALANCE, April 1, 2005	<u>34 151</u>	<u>129 353</u>
FUND BALANCE, March 31, 2006	<u>\$ 27 665</u>	<u>\$ 112 754</u>

VILLAGE OF DAGGETT  
 COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CASH BASIS  
 GENERAL AND SPECIAL REVENUE FUNDS  
 MARCH 31, 2006

	General Fund		
	Actual Amount	Budget Amount	Variance Favorable (Unfavorable)
CASH RECEIPTS:			
Property taxes & collection fees	\$ 7 291	\$ 6 900	\$ 391
Wage & equipment reimbursement	50 575	54 000	( 3 425)
State revenue sharing	21 286	20 000	1 286
Interest	1 333	600	733
Rents	3 000	-	3 000
Sale of Building	-	9 600	( 9 600)
TOTAL RECEIPTS	<u>83 485</u>	<u>91 100</u>	<u>( 7 615)</u>
CASH DISBURSEMENTS:			
General Government:			
Maintenance wages & benefits	33 802	35 520	1 718
Clerk	2 448	2 600	152
President	1 399	1 400	1
Trustees	1 958	2 120	162
Treasurer	3 347	3 390	43
Supplies and repairs	20 526	14 833	( 5 693)
Professional services	1 000	1 050	50
Community promotion and dues	605	2 400	1 795
Utilities and fuel	8 134	9 900	1 766
Insurance	8 680	8 300	( 380)
Highways and roads	-	-	-
Sanitation	5 732	5 400	( 332)
Parks and recreation	2 340	2 340	-
TOTAL DISBURSEMENTS	<u>89 971</u>	<u>89 253</u>	<u>( 718)</u>
EXCESS OF CASH RECEIPTS OVER (UNDER) DISBURSEMENTS	( 6 486)	1 847	( 8 333)
FUND BALANCE, April 1, 2005	<u>34 151</u>	<u>34 151</u>	-
FUND BALANCE, March 31, 2006	<u>\$ 27 665</u>	<u>\$ 35 998</u>	<u>\$ ( 8 333)</u>

See accompanying notes to financial statements.



Special Revenue Funds		
Actual Amount	Budget Amount	Variance Favorable (unfavorable)
\$ -	\$ -	\$ -
-	-	-
41 359	37 633	3 726
2 333	350	1 983
-	-	-
-	-	-
<u>43 692</u>	<u>37 983</u>	<u>5 709</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
633	633	-
-	-	-
-	-	-
-	-	-
-	-	-
59 658	57 350	( 2 308)
-	-	-
-	-	-
<u>60 291</u>	<u>57 983</u>	<u>( 2 308)</u>
( 16 599)	( 20 000)	3 401
<u>129 353</u>	<u>129 353</u>	-
\$ 112 754	\$ 109 353	\$ 3 401

VILLAGE OF DAGGETT  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN RETAINED EARNINGS - PROPRIETARY FUND (ELECTRIC FUND)  
YEAR ENDED MARCH 31, 2006

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Income - Electrical service charges (net of sales tax)	\$101 680
Reimbursements and miscellaneous	<u>810</u>
Total operating income	<u>102 490</u>
Operating expenses:	90 113
Electrical power purchased	22 012
Electrical supplies and repairs	2 070
Insurance	208
Office supplies	<u>400</u>
Professional services	
Total operating expenses	<u>114 803</u>
Net operating income (loss)	( 12 313)
Non-operating income:	6 670
Interest and gains on investments	<u>6 670</u>
Net income (loss)	( 5 643)
Retained earnings, April 1, 2005	<u>252 144</u>
Retained earnings, March 31, 2006	<u>\$246 501</u>

VILLAGE OF DAGGETT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND ( ELECTRIC FUND)  
YEAR ENDED MARCH 31, 2006

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Cash Flows From Operating Activities:	
Net income (loss)	<u>\$ ( 5 643)</u>
Net decrease in cash	( 5 643)
Cash at April 1, 2005	<u>252 144</u>
Cash at March 31, 2006	<u>\$ 246 501</u>

VILLAGE OF DAGGETT  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

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NOTE 1 - REPORTING ENTITY

The Village of Daggett is located in Menominee County and provides services to its residents in many areas including community enrichment and development, and human services. In accordance with the provisions of NCGA Statement 3, certain other governmental organizations are not considered to be part of the Village entity for financial reporting purposes. The criteria established by the NCGA for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. On this basis, accordingly, the financial statements of certain other governmental organizations are not included in the financial statements of the Village. Educational services are provided through the Stephenson Area School system which is a separate governmental entity and, therefore, not presented in the financial statements included herein.

BASIS OF PRESENTATION

The financial activities of the Village are recorded in separate funds, categorized as follows:

GOVERNMENTAL FUNDS

General Fund

This fund is used to account for all financial transactions except those provided for in another fund. The Fund includes the general operating expenditures of the Village. Revenues are primarily derived from property taxes, State grants and other intergovernmental revenues.

SPECIAL REVENUE FUNDS

Major Street, Local Street and Landfill Closure Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

VILLAGE OF DAGGETT  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006  
(Continued)

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Proprietary Fund Types

Enterprise Funds

Enterprise funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Daggett do not conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies.

Basis of Accounting

Governmental Funds

The accounting policies of the Village of Daggett do not conform to generally accepted accounting principles as applicable to governmental units in that the cash basis of accounting is utilized by the governmental fund rather than the modified accrual basis of accounting. Consequently, certain revenue and the related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

Fixed Assets

The accounting policies of the Village of Daggett as they relate to fixed assets are not in accordance with generally accepted accounting principles in that the general fixed assets are not recorded.

Property Taxes

The Village's 2005 ad valorem tax was levied and collectible on December 1, 2005. It is the Village's policy to recognize revenues from the current tax levy in the current year

VILLAGE OF DAGGETT  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006  
(Continued)

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when the proceeds on this levy are budgeted and made available for the financing of Village operations. Payment from the county which purchases the 2006 delinquent taxes will be recognized as revenue when received in cash.

See schedule on page 16 for levy breakdown and millage rates.

NOTE 3 - CASH AND INTEREST-BEARING DEPOSITS

Deposits are carried at cost. Deposits of the Village are in one bank in the name of the Village of Daggett Treasurer. Michigan Compiled Laws, Section 124.91 authorized the Village Treasurer to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities, and direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the Government National Mortgage Association; United States Government or Federal Agency obligation repurchase agreement; banker's acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rates by two standard rating agencies within the three highest classifications, which matures not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. The Village's deposits are in accordance with statutory authority.

Governmental Accounting Standards Board (GASB) Statement 3 risk disclosure for the Village's cash deposits are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>
Not insured	\$ 86 920
Insured	<u>\$ 300 000</u>
TOTAL DEPOSITS	<u>\$ 386 920</u>

VILLAGE OF DAGGETT  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006  
(Continued)

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NOTE 4 - BUDGETS AND BUDGETARY ACCOUNTING

As set forth in the Village Charter, the Village adopts an annual budget for the General Fund and Special Revenue Funds. The annual budgets are prepared in accordance with the basis of accounting utilized by those funds (cash basis). Subsequent to year-end, the board adopts an amended budget approving any transfers among departments or additional expenditures. The budget amounts are presented on page 7. All appropriations lapse at fiscal year-end.

NOTE 5 - USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 6 - RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Village purchases insurance coverage through a carrier. This plan purchases reinsurance for all risks. The Village's expense is to pay only the annual premium. In addition, the Village purchases worker's compensation insurance.

VILLAGE OF DAGGETT  
COMBINING BALANCE SHEET - CASH BASIS  
SPECIAL REVENUE FUNDS  
MARCH 31, 2006

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	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Landfill Closure Fund</u>	<u>Liquor Fund</u>
ASSETS:				
Cash	\$ 53 263	\$ 56 064	\$ 3 427	\$ -
TOTAL ASSETS	\$ 53 263	\$ 56 064	\$ 3 427	\$ -
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCE	\$ 53 263	\$ 56 064	\$ 3 427	\$ -
	<hr/>	<hr/>	<hr/>	<hr/>



VILLAGE OF DAGGETT  
 COMBINING STATEMENT OF CASH RECEIPTS  
 DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS  
 ALL SPECIAL REVENUE FUNDS  
 YEAR ENDED MARCH 31, 2006

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	Major Street Fund	Local Street Fund	Landfill Closure Fund	Liquor Fund
CASH RECEIPTS:				
State shared revenue	\$ 32 955	\$ 7 771	\$ -	\$ 633
Interest income	949	1 337	47	-
TOTAL CASH RECEIPTS	<u>33 904</u>	<u>9 108</u>	<u>- 47</u>	<u>633</u>
CASH DISBURSEMENTS:				
Street and road maintenance	48 428	11 230	-	-
Liquor law enforcement	-	-	-	633
TOTAL CASH DISBURSEMENTS	<u>48 428</u>	<u>11 230</u>	<u>-</u>	<u>633</u>
EXCESS OF CASH RECEIPTS OVER (UNDER) DISBURSEMENTS	(14 524)	(2 122)	47	-
FUND BALANCE, April 1, 2005	<u>67 787</u>	<u>58 186</u>	<u>3 380</u>	<u>-</u>
FUND BALANCE, March 31, 2006	<u>\$ 53 263</u>	<u>\$56 064</u>	<u>\$ 3 427</u>	<u>\$ -</u>

TOWNSHIP OF DAGGETT  
SCHEDULE OF ASSESSED VALUATION TAX RATES AND LEVIES  
YEAR ENDED MARCH 31, 2006

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	Village of Daggett <u>General Fund</u>
Taxable valuation	\$ 2 758 270
Millage rate	<u>2.50</u>
Tax Levy	6 895
Taxes returned delinquent	<u>( 489)</u>
Current tax collection	\$ 6 406

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July 25, 2006

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
"GOVERNMENT AUDITING STANDARDS"

Village of Daggett Board  
Village of Daggett  
Daggett, Michigan

I have audited the general purpose financial statements of the Village of Daggett as of and for the year ended March 31, 2006, and have issued my report thereon dated July 25, 2006. I conducted my audit in accordance with auditing standards accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Daggett's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.


Internal Control Over Financial Reporting

In planning and performing my audit I considered the Village of Daggett's internal control over financial reporting in order to determine my audit procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matter in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce

July 25, 2006

to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Village Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Ray L. Payment  
Certified Public Accountant